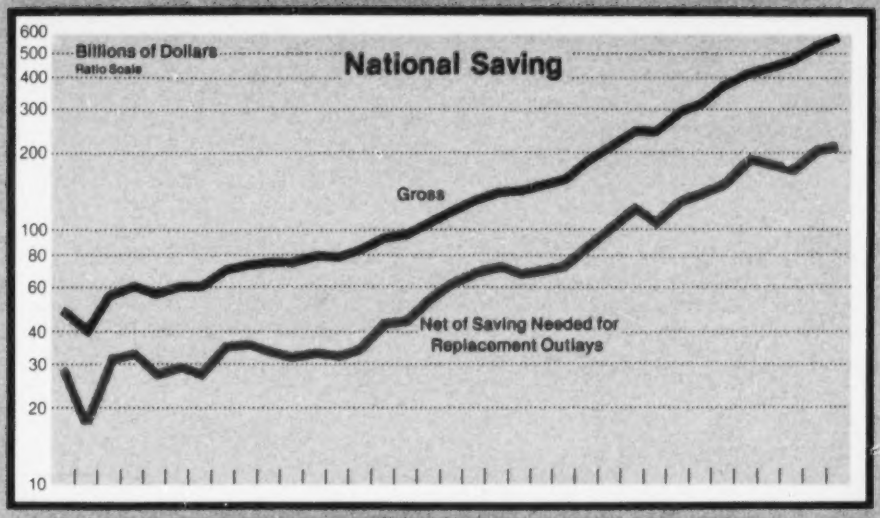
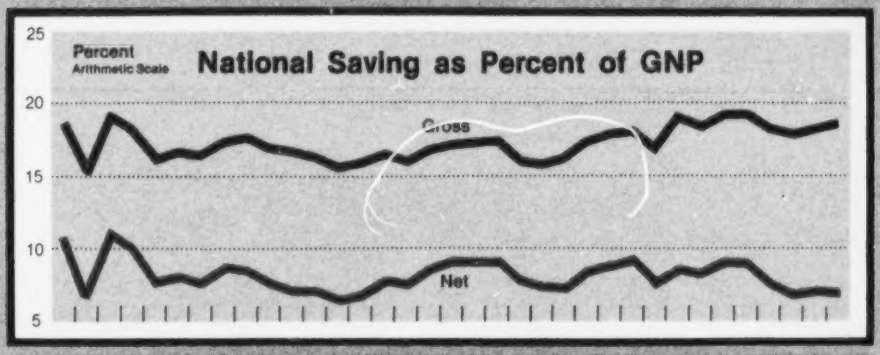
THE CONFERENCE BOARD

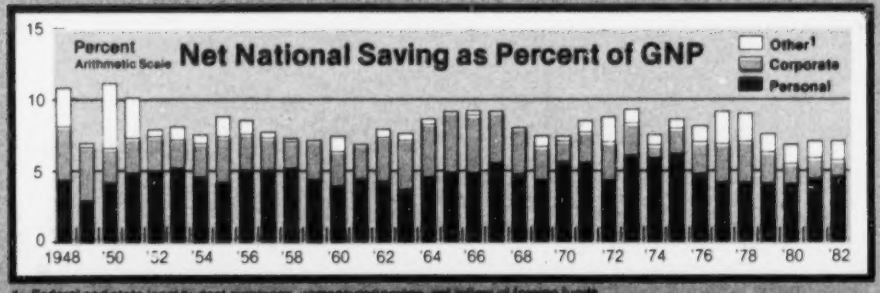
National Saving and Investment

Economic Road Maps
No. 1955 July, 1983

Most of the output of our economy is used up, or "consumed," as it is produced. The concommitant is that most of the income generated in our economy is spent on goods and services for immediate use, not saved. In 1982, gross national saving amounted to $570 billion, or 18.6% GNP. However, almost two-thirds of that represented the resources necessary simply to replace investment goods that were ending their useful lives. Investment goods are structures and equipment that yield services over a period of years and are used up gradually. The remainder of national saving, a mere 7% of GNP, represented the resources available in 1982 for net additions to the nation's stock of investment goods, that is, of productive capital. However, more than half of that net saving was absorbed in covering the federal deficit.

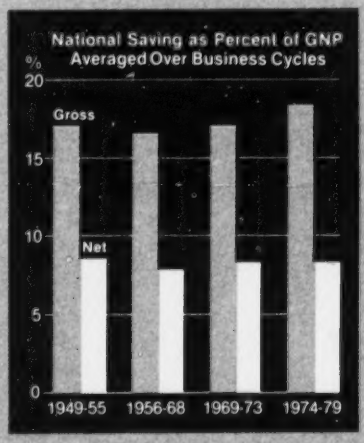






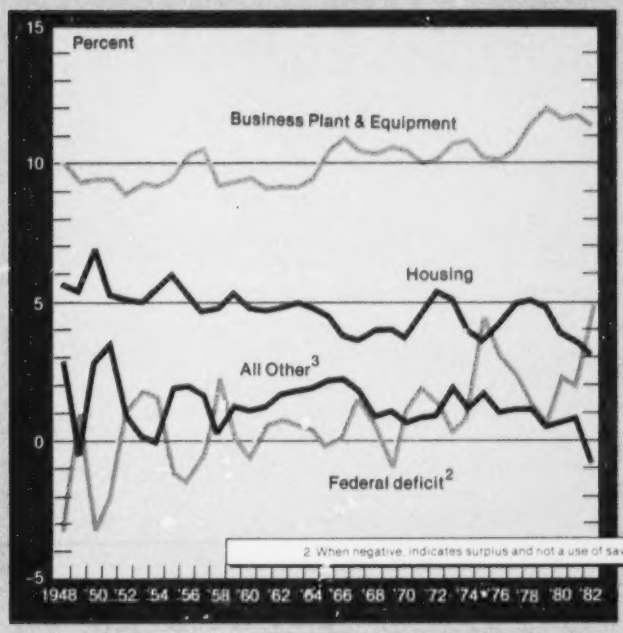
1. Federal and state-local budget surpluses, unmeasured saving, net inflow of foreign funds.

The middle left chart shows the historical record of gross and net saving as percents of GNP. The panel immediately below smooths out that record by averaging the data over business cycles, from a recession year to a peak year in each case. The ratio of gross saving to GNP rose slightly in the 1970's, but this simply reflected a rising need for replacement outlays. The ratio of net saving to GNP has been

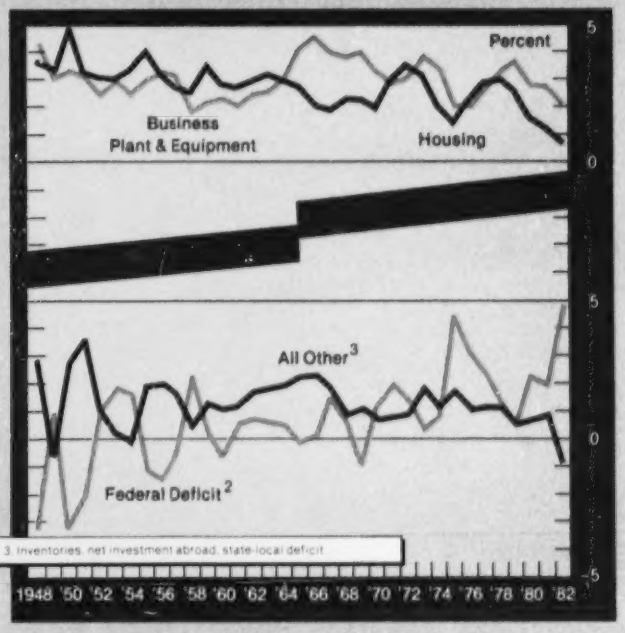


extraordinarily stable in the past three decades; that is, there has been an extraordinary stability in our national willingness to make resources available for net additions to the capital stock. The component sources of net national saving are shown in the bottom chart.

Uses of Gross Saving, as Percent of GNP


Percent
Business Plant & Equipment
Housing
All Other[3]
Federal deficit[2]
2. When negative, indicates surplus and not a use of saving. 3. Inventories, net investment abroad, state-local deficit
15
10
5
0
-5
1948 '50 '52 '54 '56 '58 '60 '62 '64 '66 '68 '70 '72 '74 '76 '78 '80 '82

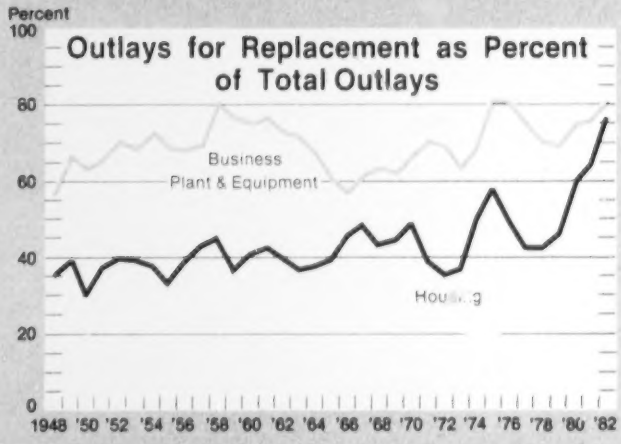
Uses of Net Saving, as Percent of GNP



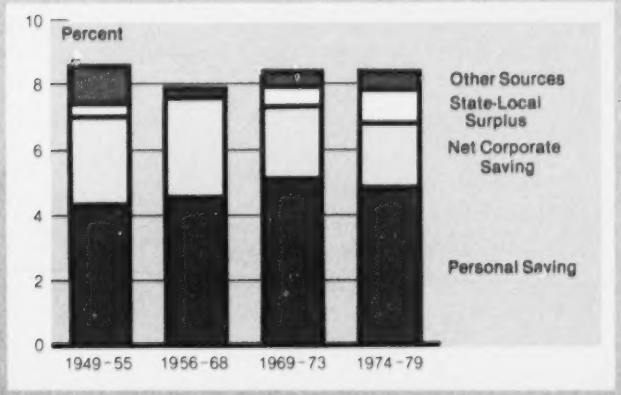
The panels above show how gross and net national saving are used. In recent years, a good part of the net saving generated in the private sector was used not for net additions to the stock of private investment goods but rather to cover the federal deficit. The panels below show the sources and uses of net national saving averaged over business cycles, and illustrate that the rise in the share absorbed by the federal deficit has had as its counterpart a drop in other shares.

Lora S. Collins

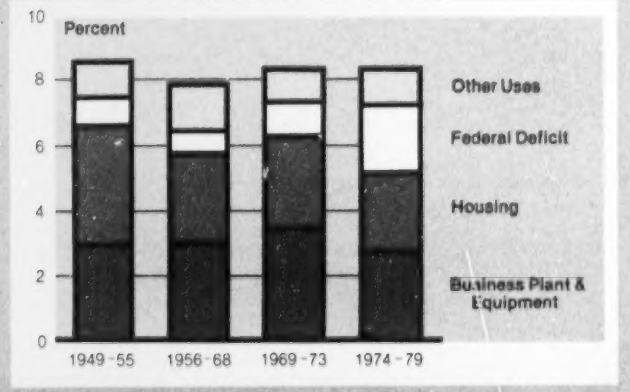
Sources: Bureau of Economic Analysis;
The Conference Board



Sources of Net Saving, as Percent of GNP Averaged Over Business Cycles



Uses of Net Saving, as Percent of GNP Averaged Over Business Cycles



ECONOMIC ROAD MAPS

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